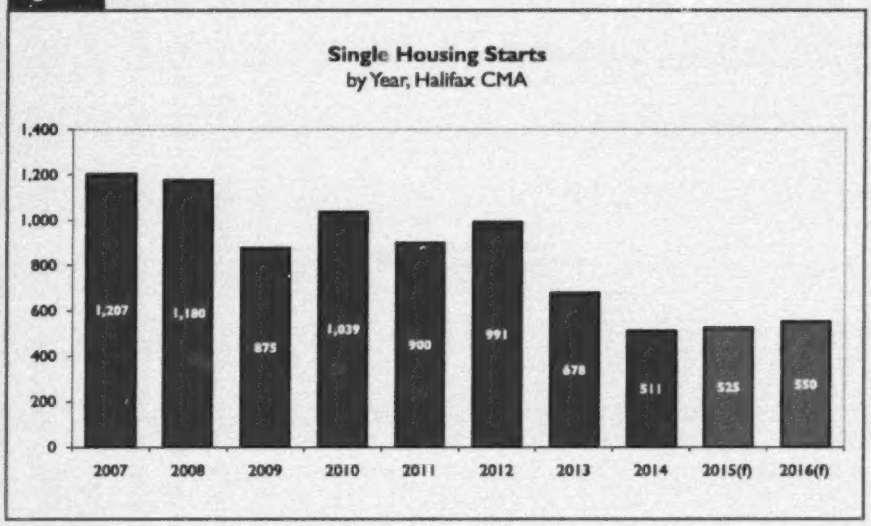
Figure 2



Source and Forecast: CMHC

New Construction Increases

In both 2015 and 2016, residential construction is expected to exceed activity recorded in 2014. Total construction starts will remain below the ten-year average of 2,272 units. Housing starts are forecast to total 2,025 units in 2015 and 1,850 units in 2016. Expect developers of purpose-built rental apartments to take the lion's share of construction activity in the Halifax Census Metropolitan Area (CMA).

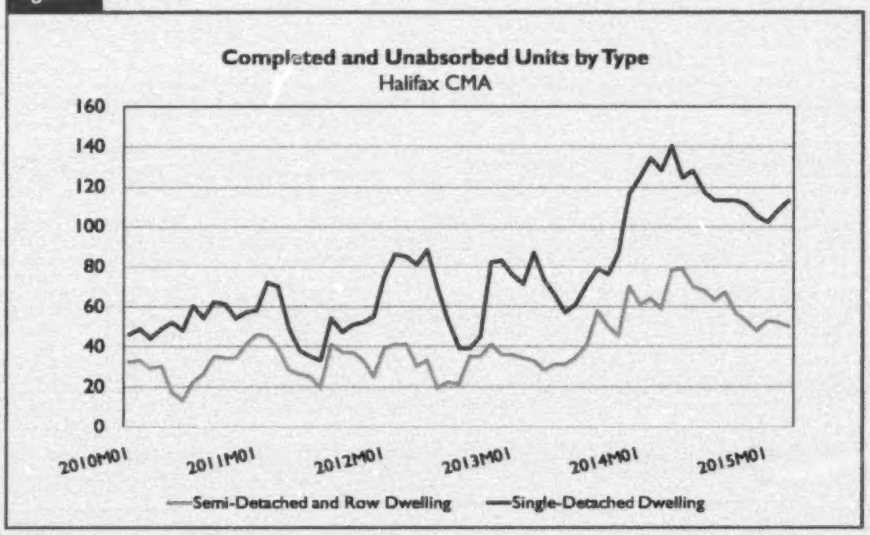
The forecast suggests a nearly flat outlook for single-detached family dwellings over the next two years. A fragile resale market and a sluggish labour market impede the growth of that segment. The construction of multi-family dwellings will edge up this year but will remain lower than the highs recorded between 2011 and 2013. Rising vacancy rates in some areas of Dartmouth and Bedford South signal a slowdown in demand for new rental units. Over the forecast period, the bulk of multifamily starts will break ground on the Halifax peninsula.

Looking at historical construction averages, the single-detached market remained weak in 2014. Yet, two emerging trends buck this observation and hinge on location attributes and price ranges. First, starts in the peripheral areas remained relatively strong compared to the rest of the Halifax CMA this year. Second, the absorption rate is strongest in the most expensive price ranges.

The combination of single-detached homes, semi-detached homes and townhouses can be referred to as ground based units. In 2014, ground based starts in Halifax CMA decelerated by close to 40 percent to just under 700 starts. The sharpest losses were recorded in Halifax City, Dartmouth City, Bedford-Hammonds Plains, and Sackville where losses hovered around 50 per cent on average. In fact, each of the three unit types receded sharply. For instance, the single-detached starts level ranged between 42 and 47 in all four submarkets while in 2013 the range was broader to include between 56 and 96 units. The contrast was stark for semi-detached and townhouses too where starts for these four submarkets dropped to 117 units in 2014 compared to 245 units in 2013.

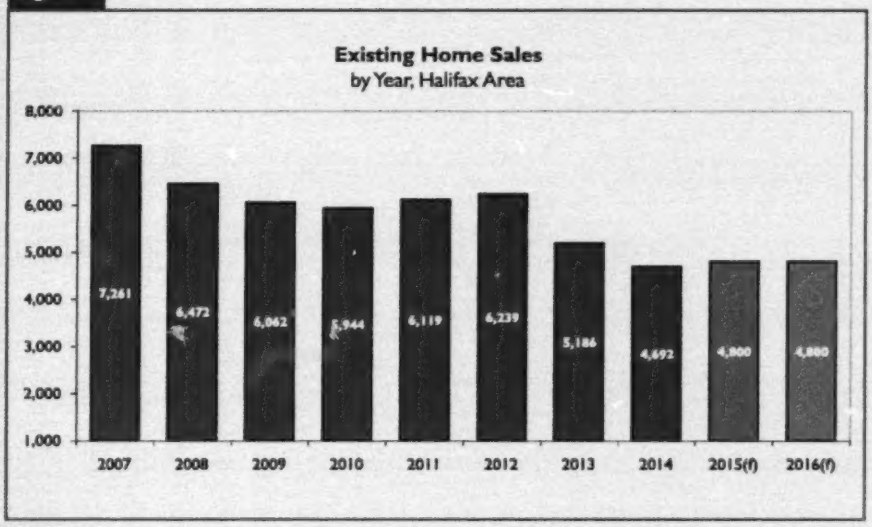
The story is much different in peripheral areas. Ground based starts in Halifax County East and Halifax County Southwest, Fall River - Beaverbank recorded three per cent gains, while East Hants recorded 33

Figure 3



Source and Forecast: CMHC

Figure 4



Source: Nova Scotia Association of REALTORS® & CREA
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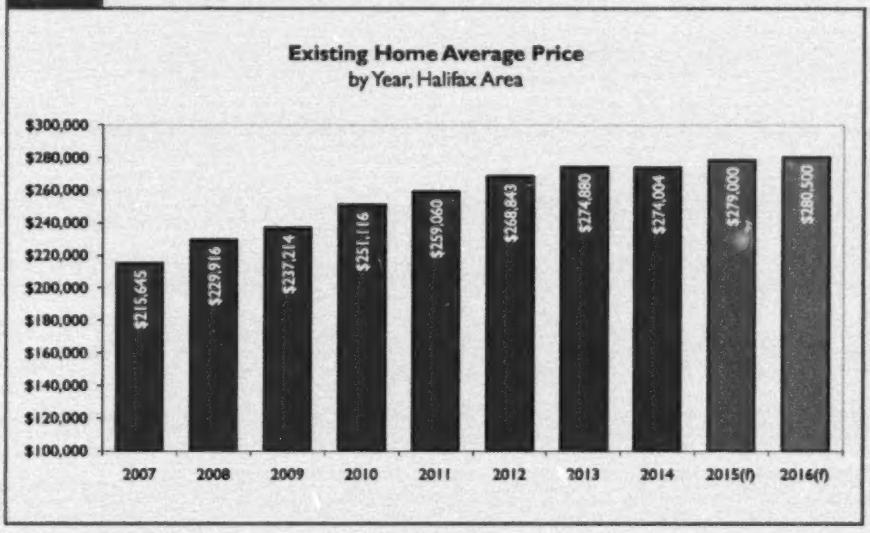
Forecast: CMHC

per cent gains in 2014. While the demand for single-detached starts remained strong in those areas by historical average, it is semi-detached and townhouses that pushed up construction activity above average in East Hants.

Halifax City, Dartmouth City, Bedford-Hammonds Plains and Sackville are four submarkets that provide ample options for consumers – urban living, estate lots, family settings, with typically above average absorption price. Yet submarkets in peripheral areas recorded stronger construction activity over the past year. This is suggestive that, for approximately similar price points, prospective homebuyers prefer the periphery over a semi-detached or townhouse in above average priced submarkets. This observation is further evident in the trend of completed and unabsorbed inventory of semi-detached homes and townhouses, which remained steady over the past two years, mimicking the trend of completed and unabsorbed inventory of single-detached homes.

The second observation relates to the absorption rate and the completed and unabsorbed units. The sustained construction activity in the peripheral area showcased strongest absorption rates in the lower price ranges with gradually less absorptions in the upper ranges. As a matter of fact, absorption in the upper price range of $450,000 and above recorded the highest absorption rates in 2014 and second highest in 2013. Houses in that price range are not geared towards first-time homebuyers, but for repeat buyers. It is suggested that first-time homebuyers who accessed homeownership in the 2000 are reinvesting their equity gains in larger, more expensive properties. These properties tend to be located in Halifax City, Bedford-Hammonds Plains, and a growing number in Halifax County Southwest. At the same time, the lowest absorption rate and highest level of completed and unabsorbed units is within the $400,000 – $449,999 creating a softer demand for that segment of the market. The marketplace shows there is growing discrepancy between the average price and median price suggesting that homes in the upper ranges skew the average.

Figure 5



Source: Nova Scotia Association of REALTORS® & CREA
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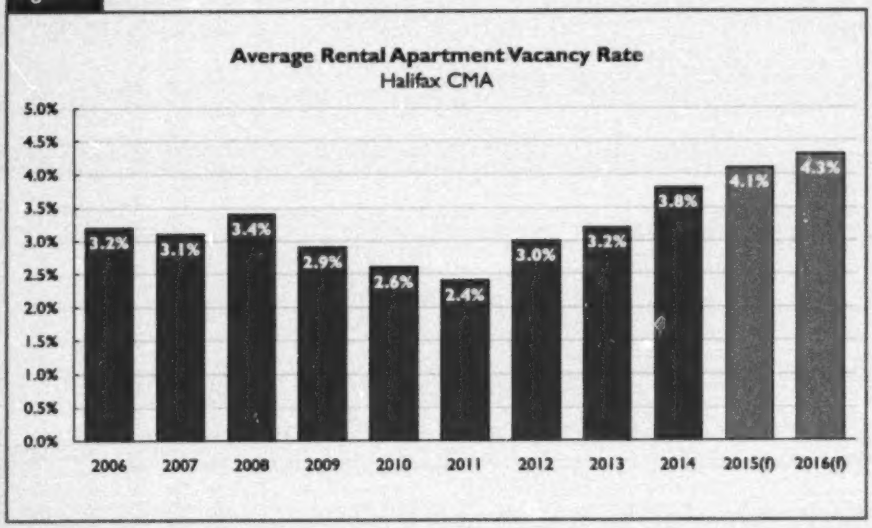
Forecast: CMHC

Figure 6



Source and Forecast: CMHC

As a result, expect more absorptions in homes priced under $300,000 and homes priced above $500,000.

Expect single-detached starts to remain stable with 525 starts and 550 in both 2015 and 2016.

Multiple starts are expected to record starts levels above the ten-year average during the forecast period in both 2015 and 2016. Favourable borrowing conditions continue to support the development of rental unit projects while vacancy rates are on the uptick in newer structures. Having said that, expect a growing share of apartment starts to be condominium units. The bulk of apartment starts in the next two years is expected to take place on the peninsula of Halifax and in Dartmouth City. Expect 1,300 apartment starts in 2015 and 1,000 in 2016.

Uptick Expected in MLS® Market

The MLS® market is expected to record an uptick in sales volume. While sales volume is expected to remain modest by historical standards, sales are expected to top 4,800 units in 2015. Lower sales volume and a stable level of homes listed shifted the pendulum to a buyers' market and subdued real price growth. On the demand side, prospective buyers have had more time to make a purchase and this has slowed down the market dynamics in all price ranges. While low interest rates and stable, albeit moderately weak, employment levels favoured homeownership, sales volume failed to keep pace with the ten-year average for two reasons.

First, in the short term, the growth of the luxury rental apartment universe pulled a considerable amount of homeowners into rental accommodations. Between 2006 and 2011, more than 5,800 people over 35 were added to the pool of renters. A considerable amount of these individuals were over 55 and had presumably owned a home in the past. Second, the balanced to sellers market conditions prevailing over much of the last decade raised the expectations of sellers' beyond the current price equilibrium. Had prices in 2013 adjusted to lower sales volume, housing sales in 2014 could have rebounded at a quicker pace. Local market intelligence suggests that the lower sales volume over the past year was partially due to a discrepancy between buyers' and sellers' expectations. Specifically, a number of transactions did not occur because buyers and sellers could not agree on a sale price and financial responsibility toward renovation updates. In fact, some prospective buyers simply refrained from visiting homes whose asking price was beyond their expectations of current market value relative to the condition of the homes.

In 2015, prospective buyers have returned to the marketplace and with aligned expectations between market players the MLS® market is forecast to change direction and record 4,800 sales. In 2016, expect sales to top 4,800 units.

The distribution of home sales by price range remained stable over the past five years, suggesting that there is little inflationary pressure within any segment of the market. Thus, even though the market is expected to record a small increase in sales, nominal price growth is expected to grow marginally over the forecast period. While the average sale price of a resale home trended upward to just over $272,893 in 2014 and is forecast to reach $279,000 in 2015 and $280,500 in 2016; this level of growth is at or below the target inflation rate of two percent as set by the Bank of Canada.

Buyers' market conditions have prevailed over the past two years. The sales activity in relation to rising inventory levels has exerted a downward pressure on the sales-to-new-listing ratio below the 0.45 mark – a trend indicative of a buyers'

market. While in 2013 and 2014, the trend was firmly entrenched in a buyers' market, the lower listings available in the first sixty days of the year provided momentum to market dynamics and could push market conditions closer to a balanced market. If the inventory ramps up in late spring to the tune of 4,400 listings, however, as we have recorded in previous years, this could have a cooling effect on the market and push back market conditions to a buyers' market. In 2013 and 2014, sellers who were unsuccessful in getting offers typically withdrew their properties before reintroducing them the following year at the same price. Expect this dynamic to change slightly as sellers will show a competitive edge in either reducing their price to reflect market conditions or in making the necessary improvements.

Geographic Shifts in Rental Construction and Rising Vacancy Rate

Since 2011, the construction of apartment units in Halifax represented the lion's share of all residential construction activity. For a few years, the vacancy rate fell even as the rental universe grew by smaller spurts of 1.0 to 1.5 per cent annually. Such a strong market signal was compounded by a favourable interest rate environment continued to provide the necessary ingredients for the expansion of the rental universe. Much of the construction of purpose-built rentals took place in the peripheral areas of Larry Uteck Boulevard and Portland Estates/Morris Lake. The high number of completions in 2013 (1,700 units) and 2014 (1,050 units) started to exert upward pressure on the vacancy rate. A close look at the data, however, suggests that the vacancy rate for buildings constructed after 2000 in and around Larry Uteck outperformed the Halifax CMA average and remained low given the higher construction volumes. In Portland Estates/Morris Lake, on the other hand, the expansion of the universe followed a similar trajectory but the vacancy rates in newer units has recently risen to six percent which is now much above the historical average of three per cent. Expect this trend to shift to other parts of the rental universe over the forecast period where some areas previously quite strong may begin to experience some softness.

That being said, the bulk of apartment construction, both rental and condominium units, is expected to take place on the peninsula of Halifax in 2015. This would provide some relief to areas where the vacancy rate has peaked over the past year. Expect apartment starts to hit 1,300 units in 2015, with approximately 800 units breaking ground specifically on the peninsula. In 2016, apartment construction will decline to 1,100 units. The distribution of starts will cover a wide geographic territory and include construction activity in areas of Sackville and Bedford.

Interest for rental units is expected to remain strong over the forecast period, yet the supply of new units will offset aggregate demand. Expect the vacancy rate in the Halifax CMA to inch upward to 4.1 per cent in 2015 and 4.3 per cent in 2016. Longer leasing periods experienced over the past year should subside partially as the bulk of units under construction were completed and added to the market in 2014.

The average rent is expected to stabilize over the forecast period in line with current expectations for both the growth in prices for the resale market and in line with the consumer price index. Expect the average rent for a two-bedroom unit to reach $1,025 in 2015 and $1,045 in 2016. The rental market will remain a competitive housing option for those wishing to downsize, as the locations and amenities rival other substitutes such as condos, townhouses, or semi-detached homes.

Economic Trends: Job Growth Remains Slow, Population on the Uptick

Population growth in the Halifax CMA has been driven almost exclusively by international migration in recent years. Numbers for 2014, suggest a level of growth in international migration that was stronger than 2013. Net migration recorded at the end of 2014 stood at 3,332 migrants, underscoring an uptick in population growth. The economic slowdown in the western provinces has, as in the past, provided support to the local population here. As a result, the population of the Halifax CMA grew 1.3 per cent last year. Migration is expected to remain within the range recorded in 2014 with the possibility of stronger gains should the price of oil remain in the sixty dollar range longer term.

The economy of Nova Scotia is expected to record one per cent growth in 2015. Economic growth throughout the province will largely be influenced by the performance in Halifax, where a weaker Canadian dollar should help to create opportunities in the manufacturing and tourism sectors and contribute to employment growth of 0.8 per cent in 2015. The employment gains recorded in recent years have largely been in the part-time sector. In 2015 and 2016, it is expected that most of the growth occurs in the full-time sector

as most manufacturing intensive projects typically rely on full-time jobs.

Increases in full-time positions are a key driver to help stimulate housing demand, as they often provide the security and stability required for individuals to access mortgage loans. Expect employment growth in the Halifax CMA to remain modest over the forecast period and provide a moderate level of support to housing.

Mortgage rates are expected to remain at or close to current levels over the forecast horizon

Mortgage rates will continue to be supportive of housing demand. Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to remain at or very close to current levels over the forecast horizon.

According to CMHC's base case scenario for 2015, the one-year mortgage rate is expected to be in the 2.30 to 3.50 per cent range, while the five-year rate is forecast to be within the 4.00 to 5.50 per cent range. For 2016, the one-year mortgage rate is expected to be in the 2.40 to 4.00 per cent range, while the five-year rate is forecast to be within the 4.20 to 6.20 per cent range.

Trends at a Glance

Key Factors and their Effects on Housing Starts	
Mortgage Rates	Short term mortgage rates are expected to remain at historically low levels which will continue to support housing demand.
Employment	Employment in Halifax CMA has been relatively flat over the past five years. This trend is expected to continue over the forecast period. Slow labour market provided limited support for housing demand.
Income	The increase in the average weekly earnings in Halifax CMA was above the rate of inflation in 2014. The increase in discretionary income stimulates housing demand.
Net Migration	Out-migration throughout Nova Scotia receded in late 2014. Positive gains in the Halifax CMA in 2015 and 2016 contribute to driving housing demand.
Natural Population Increase	Overall population growth in the Halifax CMA is moderate and will impact housing demand moving forward.
Resale Market	Resale market conditions in Halifax CMA are expected to remain in the buyer's market category.
Other	The awaited shipbuilding activity is taking shape and will contribute to stimulating housing demand in 2015.

Forecast Risks

This outlook is subject to some risks, including:

- A stronger than expected U.S. economic recovery or stronger growth in emerging countries could positively impact Canadian economic growth, contributing to a higher level of activity in Canada's housing market.
- Recent levels of housing starts are expected to impact the level of inventory in the short term. Should the inventory increase faster than expected, builders may delay or reduce the size of some housing projects. This could lead to a sharper-than-expected moderation in housing starts.
- Elevated levels of household debt and house prices in some urban centres have made the country's economy more vulnerable to some economic shocks. If interest rates or unemployment were to increase sharply and significantly, some of the more heavily indebted households could be forced to liquidate some of their assets, including their homes. This could put downward pressure on house prices and, more generally, on housing market activity.
- Recent levels of apartment starts are expected to impact the vacancy rate further in 2015 and 2016. If the vacancy rate increases faster than expected, construction projects could be delayed.

Forecast Summary Halifax CMA Spring 2015							
	2012	2013	2014	2015(F)	% chg	2016(F)	% chg
New Home Market							
Starts:							
Single-Detached	991	678	511	525	2.7	550	4.8
Multiples	1,763	1,761	1,246	1,500	20.4	1,300	-13.3
Semi-Detached	190	120	70	100	42.9	125	25.0
Row/Townhouse	136	167	112	100	-10.7	75	-25.0
Apartments	1,437	1,474	1,064	1,300	22.2	1,100	-15.4
Starts - Total	2,754	2,439	1,757	2,025	15.3	1,850	-8.6
Average Price ($):							
Single-Detached	426,885	396,929	410,786	415,000	1.0	420,000	1.2
Median Price ($):							
Single-Detached	379,900	364,450	375,450	380,000	1.2	385,000	1.3
New Housing Price Index (% chg.)	2.2	2.6	0.3	1.5	-	1.5	-
Resale Market							
MLS® Sales	6,051	5,007	4,692	4,800	2.3	4,800	0.0
MLS® New Listings	10,160	10,336	10,450	10,550	1.0	10,550	0.0
MLS® Average Price ($)	270,742	272,885	274,004	279,000	1.8	280,500	0.5
Rental Market							
October Vacancy Rate (%)	3.0	3.2	3.8	4.1	0.3	4.3	0.2
Two-bedroom Average Rent (October) ($)	954	976	1,005	1,025	2.0	1,045	2.0
Economic Overview							
Mortgage Rate (1 year) (%)	3.17	3.08	3.14	2.30 to 3.50	-	2.40 to 4.00	-
Mortgage Rate (5 year) (%)	5.27	5.24	4.88	4.00 to 5.50	-	4.20 to 6.20	-
Annual Employment Level	221,700	222,300	223,300	225,000	0.8	226,500	0.7
Employment Growth (%)	1.1	0.3	0.4	0.8	-	0.7	-
Unemployment rate (%)	6.2	6.5	6.1	6.4	-	6.4	-
Net Migration	3,040	2,018	3,332	3,800	14.0	3,600	-5.3

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Nova Scotia Association of REALTORS®, Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

** Percent change > 200%

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly **Starts and Completions Survey**. Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's **Market Absorption Survey**, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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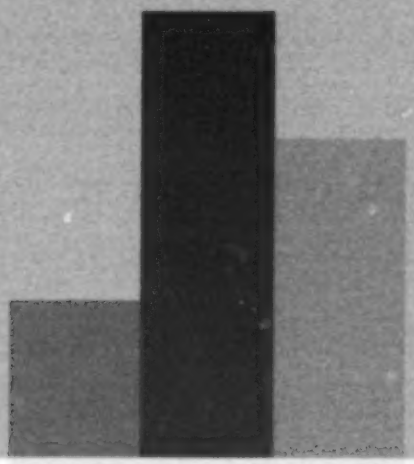

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- Housing Information Monthly
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
- Housing Market Outlook, Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Housing Now, Canada
- Housing Now, Major Centres
- Housing Now, Regional
- Monthly Housing Statistics
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